

AR27



ANNUAL REPORT

Full

1969

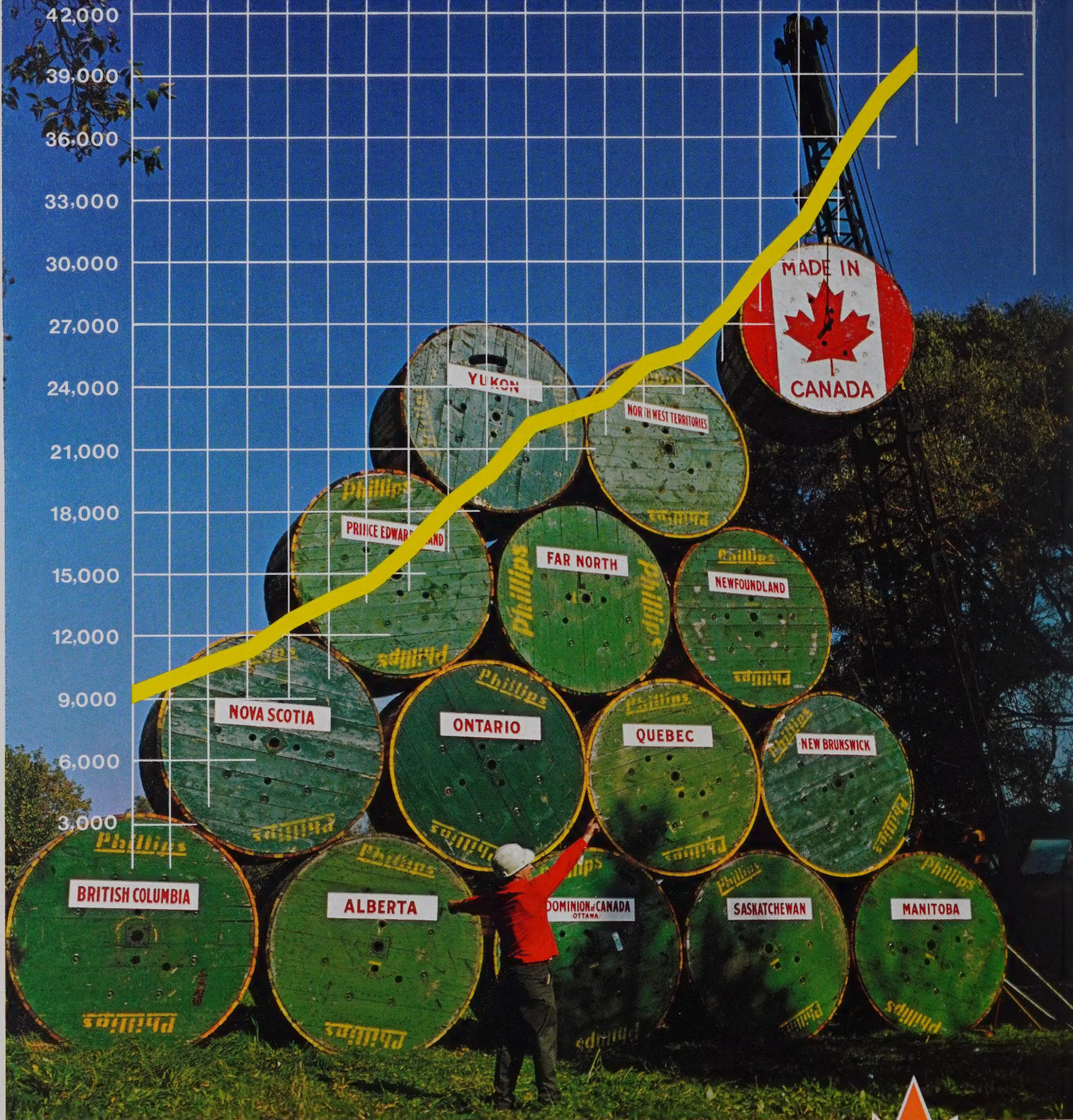
PHILLIPS CABLES LIMITED

THOUSANDS
OF
KILOWATTS

TOTAL CANADIAN GENERATING CAPABILITY

1950 '51 '52 '53 '54 '55 '56 '57 '58 '59 1960 '61 '62 '63 '64 '65 '66 '67 '68 '69 1970 '71 '72 '73

42,000
39,000
36,000
33,000
30,000
27,000
24,000
21,000
18,000
15,000
12,000
9,000
6,000
3,000



Source . . . Dominion Bureau of Statistics.

Cables to Channel
the growing Might
of **Canada.**



SIX FACTORIES
9 WAREHOUSES COAST TO COAST

ANNUAL REPORT

For the Year Ended December 31, 1969

BOARD OF DIRECTORS

W. J. J. CURRY.....	London, England	M. F. W. GREENE.....	Brockville, Ont.
A. L. FERGENSON.....	New York, U.S.A.	T. A. LINDSAY.....	Brockville, Ont.
W. FRASER.....	Ayr, Scotland	J. E. THOMAS.....	Brockville, Ont.
D. N. FREY.....	New York, U.S.A.	A. S. TORREY.....	Montreal, Que.
G. GINGRAS.....	Montreal, Que.	J. S. WADDINGTON.....	Brockville, Ont.
AIR MARSHAL H. CAMPBELL.....		Ottawa, Ont.	

OFFICERS

<i>Chairman</i>	A. S. TORREY
<i>Vice-Chairman</i>	W. FRASER
<i>President</i>	T. A. LINDSAY
<i>Vice-President & Secretary</i>	M. F. W. GREENE
<i>Vice-President</i>	J. R. PHILIPS
<i>Vice-President</i>	J. E. THOMAS
<i>Vice-President</i>	J. S. WADDINGTON
<i>Treasurer</i>	R. B. WOLTON
<i>Assistant Secretary</i>	E. W. REYNOLDS

MANAGEMENT

<i>Communication Products</i>	G. H. GALLIMORE	<i>Construction Products</i>	C. PRESCOTT
<i>Power Products</i>	R. C. SALKELD	<i>Sales</i>	C. F. JARDIM
<i>Marketing</i>	P. H. WYLIE		

WHOLLY-OWNED SUBSIDIARIES

Phillips Cables (Western) Limited
Phillips Electrical Construction Company Limited
Triangle Conduit & Cable Canada (1968) Limited

AUDITORS

RIDDELL, STEAD & CO.
Montreal, Que.

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE

TRANSFER AGENT & REGISTRAR

NATIONAL TRUST COMPANY LTD.
Toronto and Montreal

SOLICITORS

BORDEN, ELLIOT, KELLEY & PALMER
Toronto, Ont.

FINANCIAL HIGHLIGHTS

	1969	1968	1967	1966	1965
Sales	\$62,241,000	\$64,497,000	\$59,376,000	\$59,415,000	\$44,489,000
Earnings Before Income Taxes	\$ 5,534,000	\$ 2,281,000	\$ 5,329,000	\$ 7,404,000	\$ 4,842,000
Income Taxes	2,500,000	(169,000)	1,803,000	3,525,000	2,643,000
Earnings for the Year ..	<u>\$ 3,034,000</u>	<u>\$ 2,450,000</u>	<u>\$ 3,526,000</u>	<u>\$ 3,879,000</u>	<u>\$ 2,199,000</u>
Dividends Declared	\$ 1,109,000	\$ 1,109,000	\$ 871,000	\$ 837,000	\$ 386,000
Depreciation Charged ..	\$ 1,640,000	\$ 1,816,000	\$ 1,225,000	\$ 1,210,000	\$ 1,038,000
Investment in Fixed Assets	\$ 1,211,000	\$ 1,848,000	\$ 4,543,000	\$ 3,726,000	\$ 2,148,000
Working Capital	\$14,882,000	\$13,970,000	\$13,066,000	\$12,869,000	\$ 8,479,000
Shareholders' Equity	\$22,744,000	\$20,819,000	\$19,472,000	\$16,808,000	\$10,474,000
Shares Outstanding	3,959,925	3,959,925	3,958,975	3,956,975	3,235,230
Per Share:					
Earnings: Operations ..	\$.63	\$.74	\$.85	\$.89	\$.64
*Inventory ..	.13	(.12)	.04	.09	.04
Total	<u>\$.76</u>	<u>\$.62</u>	<u>\$.89</u>	<u>\$.98</u>	<u>\$.68</u>
Dividends Declared ..	\$.28	\$.28	\$.22	\$.22	\$.12
Equity	\$ 5.74	\$ 5.26	\$ 4.92	\$ 4.25	\$ 3.24

* Estimated profit or loss realized on inventory due to copper price fluctuations.



ANNUAL MEETING

The Annual General Meeting of the Shareholders will be held at the Skyline Hotel, Stewart Boulevard, Brockville, Ontario, on April 30, 1970, at two-thirty o'clock in the afternoon.

PHILLIPS CABLES LIMITED

Head Office
Brockville, Ontario
March 12, 1970

TO THE SHAREHOLDERS:

Your Directors have pleasure in submitting their 16th Annual Report.

EARNINGS

For the year 1969, Earnings from operations, before Income Taxes, increased 37% compared to 1968, and would have been greater had the Company not been confronted with two difficult problems:

- a) A 27% increase in the price of copper — from 45 cents per pound on January 1, 1969, to 57 cents per pound at the year end — had an adverse effect on our profit position. During 1968 and early 1969, competitive conditions dictated the need for acceptance of a significant volume of business on a firm-price basis, so that copper price increases had to be absorbed in Company costs, thus reducing or eliminating the small margins of profit in many product lines;
- b) A five-month labour dispute at the plant of our major supplier of copper caused a shortage of domestic-priced copper, which seriously affected the Company's operations in two ways; firstly, through loss of profits due to our inability to supply copper rod to domestic and export customers for a five-month period; and, secondly, through increased costs, due to the necessity of purchasing premium-priced copper in order to satisfy the minimum requirements of our customers and so prevent too great a deterioration in our market position.

SALES

The decline of 3.5% in total sales was mainly due to lower copper rod shipments. Despite the problems generated by the copper shortage, over the whole year sales of wire and cable in both domestic and export markets increased substantially. With the resumption of copper shipments in mid-November, all plants of the Company returned to full operation and record sales were registered during the final weeks of the year.

FINANCIAL AND DIVIDENDS

The Company closed the year in a strong financial position. Working Capital at \$14,882,000 showed an increase for the year of \$912,000.

Early this year, the Company was offered, at very attractive prices, \$550,000 of our 5¾% First Mortgage Bonds. These have been purchased and applied to the annual Sinking Fund payments of \$275,000 due on February 1, 1971, and February 1, 1972.

During 1969, the Company paid four regular quarterly dividends of 7 cents, totalling 28 cents per share. In 1970, the first regular quarterly dividend of 7 cents per share was paid on January 1st. On February 13, 1970, the Board of Directors of the Company declared, in addition to the regular quarterly dividend of 7 cents, an extra dividend of 8 cents per share, payable April 1, 1970. In taking this action it was the opinion of the Directors that the prospects of improved earnings in 1970 from contracts for export business fully justified an increased return to the shareholder.

OPERATIONS

In 1969 further progress was made towards concentration of effort on profitable products, and the elimination, where possible, of high-cost or low-profit-margin lines.

In keeping with this policy, a decision was taken in February, 1970, to phase out of the manufacture of electrical conduit, a product line acquired with the purchase of the Triangle operation and which has proved to be disappointing in its profit performance.

An expansion at the Rimouski, Quebec, plant has been authorized to provide facilities for the manufacture of aluminum transmission line cable (ACSR), the production of which was temporarily suspended in Quebec when the Montreal plant was closed at the end of 1968. Contracts are on hand to provide a full load for this operation through 1970 and into 1971.

An equipment expansion program is also underway at both the Dartmouth, Nova Scotia, and Rimouski plants to provide additional communication cable capacity to meet the growing domestic and export market demand for this product.

The un-expropriated portion of the Montreal property has been sold. Initial steps have been taken to process a claim on the City of Montreal for damages resulting from this expropriation.

COPPER

The increases in the price of copper during 1969 resulted in a profit on the copper content of inventories. The Company has considered it prudent to increase the tax-paid General Reserve by \$450,000 to offset any possible future losses on inventory due to copper price decreases.

Prior to the amendment of the Canada Corporations Act in 1965, the transfers to and from the General Reserve were reflected in the Statement of Earnings for the period in which the profits or losses were realized. The following indicates the Earnings for 1969, excluding the profit deemed to have been made on the copper price increase:

	1969	1968
Earnings	\$3,034,000	\$2,450,000
Transfer to Reserve	(450,000)	—
Transfer from Reserve	—	475,000
Adjusted Earnings	<u>\$2,584,000</u>	<u>\$2,925,000</u>

On February 27, 1970, the Federal Government announced a new price of 59 cents per pound for copper sold in the domestic market. The Federal Government has also arranged with the copper producers that supply at this level will be limited to the quantity provided for the domestic market in the first six months of 1969. This makes no provision for market growth, so that any additional copper required over 1969 levels will have to be purchased at premium prices. At this time, your Company is still studying the situation.

PERSONNEL

During the course of the year, two-year wage agreements were concluded with the bargaining agents for the hourly-paid employees at the Sentinel, Alberta, and Rimouski plants. Since January, 1970, negotiations for new contracts have been in progress at the Vancouver, B.C., plant, and at the Scarborough, Ontario, plant.

The employee strength at the end of 1969 was 1,446, compared with 1,463 a year ago. It is expected that the number of hourly-paid employees will increase during 1970 due to the heavy work-load on all plants.

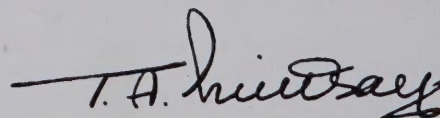
The success of any organization depends to a great extent on the quality and attitude of its employees. We are particularly fortunate in Phillips to have a willing, competent and loyal employee force who take justified pride in their workmanship. Your Directors take this opportunity to express their appreciation for the cooperation and effort of all employees in a particularly difficult year.

OUTLOOK

The Company has entered 1970 with most of its facilities fully employed, in what appears to be an improving market in terms of volume and price stability. Due to the vagaries of the copper price, all business accepted is now subject to an escalator clause for variations in metal prices, and hopefully the problems which plagued the Company in 1969 due to firm-price commitments can be avoided in 1970.

Business prospects for the balance of this year and early 1971 appear exceptionally good, so that, barring further difficulties in copper supply and pricing, we can, with some confidence, expect improved Sales and Earnings.

On behalf of the Board of Directors,



President.

PHILLIPS CABLES LIMITED
AND WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968
Sales	\$62,241,000	\$64,497,000
Cost of sales, selling and administrative expenses	54,267,000	59,686,000
Depreciation	1,640,000	1,816,000
Interest and discount on long-term debt	567,000	486,000
Remuneration of directors and senior officers	233,000	228,000
	<u>56,707,000</u>	<u>62,216,000</u>
Earnings Before Income Taxes	<u>5,534,000</u>	<u>2,281,000</u>
Provision for Income Taxes (Note 7)		
Current	1,995,000	—
Deferred	505,000	(169,000)
	<u>2,500,000</u>	<u>(169,000)</u>
Earnings for the Year	<u>\$ 3,034,000</u>	<u>\$ 2,450,000</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968
Balance at January 1	\$10,820,000	\$ 9,004,000
Earnings for the year	3,034,000	2,450,000
Transfer (to) from general reserve (Note 6)	(450,000)	475,000
	<u>13,404,000</u>	<u>11,929,000</u>
Dividends	1,109,000	1,109,000
Balance at December 31	<u>\$12,295,000</u>	<u>\$10,820,000</u>

CONSOLIDATED
AS AT DEC

ASSETS

	1969	1968
Current Assets		
Cash	\$ 411,000	\$ 679,000
Accounts receivable	8,668,000	8,157,000
Income taxes recoverable	—	191,000
Inventories at lower of cost and net realizable value	14,861,000	12,406,000
Prepaid expenses	55,000	95,000
	<u>23,995,000</u>	<u>21,528,000</u>
Special Refundable Tax	—	72,000
Mortgage Receivable (Note 2)	275,000	—
Fixed Assets (Note 3)	15,313,000	15,997,000
Unamortized Bond Discount	72,000	123,000
	<u>\$39,655,000</u>	<u>\$37,720,000</u>

Signed on behalf of the Board:

T. A. LINDSAY, Director.

GÉRARD GINGRAS, Director.

ALANCE SHEET

ER 31, 1969

LIABILITIES

	1969	1968
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,751,000	\$ 5,532,000
Income and other taxes	2,525,000	355,000
Dividend payable	277,000	277,000
Current maturities of long-term debt	50,000	44,000
Deposits held for returnable containers	1,510,000	1,350,000
	<u>9,113,000</u>	<u>7,558,000</u>
Long-Term Debt (Note 4)	6,169,000	8,219,000
Deferred Income Taxes	1,629,000	1,124,000

SHAREHOLDERS' EQUITY

Capital Stock (Note 5)		
Authorized — 5,000,000 shares without nominal or par value		
Issued — 3,959,925 shares	9,724,000	9,724,000
Retained Earnings	12,295,000	10,820,000
General Reserve (Note 6)	725,000	275,000
	<u>22,744,000</u>	<u>20,819,000</u>
	<u><u>\$39,655,000</u></u>	<u><u>\$37,720,000</u></u>

PHILLIPS CABLES LIMITED
AND WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968
Source of Funds		
Earnings for the year	\$ 3,034,000	\$ 2,450,000
Transactions not requiring the use of funds:		
Depreciation and net book value of assets retired	1,895,000	1,935,000
Amortization of bond discount	51,000	12,000
Deferred income taxes	505,000	(169,000)
	<u>2,451,000</u>	<u>1,778,000</u>
Funds provided from operations	5,485,000	4,228,000
Long-term debt	—	1,750,000
Special refundable tax	72,000	87,000
Issue of capital stock	—	7,000
	<u>5,557,000</u>	<u>6,072,000</u>
Application of Funds		
Investment in fixed assets	1,211,000	1,848,000
Mortgage receivable	275,000	—
Investment in non-current assets of subsidiary	—	1,965,000
Dividends	1,109,000	1,109,000
Repayments on long-term debt	2,050,000	247,000
	<u>4,645,000</u>	<u>5,169,000</u>
Increase in Working Capital	912,000	903,000
Working Capital at January 1	13,970,000	13,067,000
Working Capital at December 31	<u>\$14,882,000</u>	<u>\$13,970,000</u>

PHILLIPS CABLES LIMITED
AND WHOLLY-OWNED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1969

1. Principles of Consolidation

The consolidated financial statements include the financial position and results of operations of Phillips Cables Limited and all wholly-owned subsidiaries.

2. Mortgage Receivable

The mortgage receivable represents the amount due on the sale of the Montreal plant and is repayable in equal annual instalments of \$25,000 with interest at 8%. The instalment due in 1970 is included in accounts receivable.

3. Fixed Assets

	1969		1968	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 335,000	\$ —	\$ 417,000	\$ —
Buildings	8,450,000	2,699,000	8,897,000	2,958,000
Machinery	21,468,000	12,502,000	21,830,000	12,628,000
Construction in progress	261,000	—	439,000	—
	<u>30,514,000</u>	<u>15,201,000</u>	<u>31,583,000</u>	<u>15,586,000</u>
	<u>\$15,313,000</u>		<u>\$15,997,000</u>	

4. Long-Term Debt

	1969	1968
5¾ % First Mortgage Sinking Fund Bonds Series A due February 1, 1985		
Authorized and issued	\$6,500,000	\$6,500,000
Purchased and cancelled	<u>600,000</u>	<u>350,000</u>
	<u>5,900,000</u>	<u>6,150,000</u>
7½ % Bank loan	<u>—</u>	<u>1,750,000</u>
6 % Equipment loan	<u>30,000</u>	<u>49,000</u>
7½ % Chattel mortgages	<u>289,000</u>	<u>314,000</u>
	<u>319,000</u>	<u>363,000</u>
Current maturities	<u>50,000</u>	<u>44,000</u>
	<u>269,000</u>	<u>319,000</u>
	<u>\$6,169,000</u>	<u>\$8,219,000</u>

The trust deed provides for sinking fund payments sufficient to retire \$4,700,000 of the Series A bonds by February 1, 1984. The payment due February 1, 1970 has been fulfilled by the purchase and cancellation of \$250,000 of Series A bonds.

(Continued)

PHILLIPS CABLES LIMITED
AND WHOLLY-OWNED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1969

5. Capital Stock

As at December 31, 1969 options were outstanding on 24,050 shares exercisable at \$7 per share on or before April 30, 1970. These options had been granted in the preceding year to officers, including officers who are directors, and other key employees under the company's incentive stock option plan.

6. General Reserve

\$450,000 has been appropriated from retained earnings to provide, net of income taxes, for fluctuations in inventory values.

7. Income Taxes

Income taxes have been reduced by approximately \$268,000 by reason of taxable losses of wholly-owned subsidiaries brought forward from prior years. A tax loss carry forward of one of the subsidiaries amounting to approximately \$741,000 is still available to offset future taxable income of that subsidiary.

Earnings for 1968 were in the greater part generated by a wholly-owned subsidiary exempt from income taxes in accordance with the provisions of Section 71A of the Income Tax Act. The period of exemption ended February 28, 1969.

8. Pension Plans

The most recent actuarial valuations of the employees' pension plans disclosed an actuarial liability of \$2,700,000. During the year the company made payments as recommended by the actuaries to amortize this liability over a period of twenty years commencing in 1968.

9. Commitments

Commitments for capital expenditures not provided for in the accounts amount to approximately \$750,000.

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS 630 Dorchester Blvd. W. Montreal 101, P.Q.

AUDITORS' REPORT

To The Shareholders
Phillips Cables Limited

We have examined the consolidated balance sheet of Phillips Cables Limited and its wholly-owned subsidiaries as at December 31, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Riddell, Stead & Co.
RIDDELL, STEAD & CO.

February 10, 1970

PHILLIPS CABLES LIMITED
AND WHOLLY-OWNED SUBSIDIARIES

REGIONAL SALES OFFICES & FACTORIES

SALES OFFICES

<u>REGION</u>	<u>OFFICE ADDRESS</u>	<u>MANAGER</u>
Atlantic Provinces	Woodside Industrial Park, Dartmouth, N.S.	R. L. Smith
Quebec	265 McArthur St., Ville St. Laurent	A. Roy
Ontario	56 Sparks Street, Ottawa	} D. E. Haig
	King Street West, Brockville	
	756 Warden Ave., Scarborough	W. G. Cole
	199 Parkdale Ave. N., Hamilton	L. V. MacDonald
Manitoba	1236 Sargent Avenue, Winnipeg	} W. Walker
Saskatchewan	1335 Wallace Street, Regina	
Alberta	14740 - 119th Ave., Edmonton	} A. Sandilands
	3411 - 10th St. S.E., Calgary 24	
British Columbia	8330 Chester Street, Vancouver	S. Elkins
Bahamas	P.O. Box 541, Freeport, G.B.I.	A. F. Miller

FACTORIES

Atlantic Provinces	Dartmouth, N.S.	J. A. Fraser
Quebec	Rimouski	J. M. Vinette
Ontario	Brockville	R. C. Salkeld
	Scarborough	J. C. Steele
Prairie Provinces	Sentinel, Alta.	J. P. McQue
British Columbia	Vancouver	E. G. Purdy



As Man Moves to Improve his Environment
Overhead...
Goes **U**nderground.



